

mandoes from Dagestan.

"They will be everywhere and nowhere," the rebel spokesman, Magomed Tagayev, said of the militants, according to a report by the Interfax news agency. "Purely military methods will give way to military-political ones."

By pushing the Islamic militants into Chechnya, Russian military commanders were able to deliver on a promise made by the new Prime Minister, Vladimir V. Putin, who said when he took office on Aug. 9 that the operation in Dagestan would be over in two weeks.

But if the goal was to crush the rebels, that has yet to happen.

"Basayev walked away," noted Aleksandr Iskandarian, director of the Center for Caucasian Studies in Moscow.

Unlike the war in Chechnya, which ended in a humiliating defeat for Russia, the operation in Dagestan has had broad support in Russia, even in Dagestan, a province the size of Austria and home to more than 30 ethnic groups.

"The main difference is that the Chechens were fighting for independence," said Aleksei Malashenko, an expert on the North Caucasus at the Moscow office of the Carnegie Endowment for International Peace.

NYT 8/26/99



The New York Times

Russia says the Botlikh region has been returned to civilian control.

"The Dagestanis don't want independence. They are a multiethnic, multinational society. For them, a struggle for independence means civil war."

Although many of the rebels were reportedly Dagestani, Mr. Basayev's commandos did not get any significant support from the local population around Botlikh. His declaration of an independent Islamic state seemed to fall on deaf ears, as hundreds of Dagestani men lined up to collect weapons distributed by local

authorities, ready to join the fight against the Chechen-led militants.

But in the end, the battle was waged by Russian military forces, which continued to fly fresh troops into the region as late as Tuesday.

Casualty reports are conflicting. Russian military spokesmen put Russia's losses at 59 dead, while reporting that more than 1,000 rebels had been killed. Rebel spokesman said that they had lost 37 men and that Russian losses were over 1,000.

"By the end of the day of Aug. 24, all villages seized by the rebels were liberated and handed over to local administrations," a Defense Ministry spokesman said today in Makhachkala, the provincial capital. "The remains of bandit units are trying to flee the region in small isolated groups."

In the last days, two villages were completely leveled by air strikes and artillery fire, the spokesman said. "The two hamlets were unfortunate to be situated on top of the hills overlooking the area," he said.

In mounting what Russian military commanders said was a well-armed campaign that had been prepared for months, Mr. Basayev, backed by a Jordanian-born guerrilla of Chechen descent who goes by the name Khattab, said his goal was to establish an independent Islamic

state, linking Chechnya to the oil-rich Caspian Sea.

Since the end of the 1994-96 war, Chechnya has slipped out of Moscow's control, sinking deeper into lawlessness. Its president, Aslan Maskhadov, struggles to defend his authority against challenges from warlords like Mr. Basayev.

Some experts say Mr. Basayev, seen at home as a hero of the earlier war, may have intervened in Dagestan to raise his profile and re-establish his credentials as a fearless warrior against Moscow.

"Whether he succeeds will depend not on the real outcome of the conflict but on the propaganda war he is able to wage within Chechnya," Mr. Iskandarian said.

The key issue for Moscow remains its ability to restore stability and prosperity to a region that has been torn apart by war and neglected by Russia's own enfeebled Government. The challenge remains particularly acute in Dagestan, where local authorities are notoriously corrupt and the people increasingly open to the hopes held out by Muslim militants.

"The political role of Islam will increase," said Mr. Malashenko. "It doesn't mean that will explode into a struggle for independence, but people will begin to think in terms of Islamic alternatives."

Investigators Seize \$20 Million in Russian Money-Laundering Case

By KIT R. ROANE

About \$20 million has been seized in two Bank of New York accounts linked to what authorities believe is a major money-laundering operation, law enforcement officials said yesterday.

The officials said that both accounts had been opened under the name of Benex, which investigators believe has ties to Russian organized crime. One account held about \$16 million, and the other held about \$4 million, they said. Law enforcement officials believe that more than \$4.2 billion was funneled through Benex accounts at the Bank of New York from last October to March.

The officials said the accounts were seized on Monday afternoon by officers with the Russian Organized Crime Task Force, a long-standing partnership between the Federal Bureau of Investigation and the New York City Police Department. The task force is looking at other accounts at the bank, officials said.

Both agencies refused to comment on the seizure.

Frank Scarangella, a spokesman for the Bank of New York, said he could not comment "on anything related to the investigation." Last week, however, the bank said in a statement that it "has been cooperating with the office of the United

States Attorney for the Southern District of New York in a confidential investigation of the use of bank facilities to transfer funds from Russia to other countries."

Neither the bank, nor any of its employees, has been accused of wrongdoing, and the bank has continued to operate as usual. Since the bank confirmed the investigation last Wednesday, its stock price has risen \$1, closing yesterday at \$38 3/4 on the New York Stock Exchange.

Two senior bank employees, Lucy Edwards of London and Natasha Gurfinkel Kagalovsky of New York, have been suspended pending the outcome of the investigation. Both

have declined to comment.

Ms. Edwards, a vice president in the Eastern European division, is married to Benex's owner, Peter Berlin. The company went into business in London as Benex Worldwide Ltd. in May 1998 and almost immediately attracted attention from British investigators. By last June, British authorities had contacted the F.B.I. about possible money-laundering through Benex accounts at the Bank of New York.

Mr. Berlin, 44, appears to have operated his company in part from a telephone and personal computer in a house in Queens. Efforts to locate him have been unsuccessful.

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